



# Proposed Operating & Capital Budget



## Fiscal Year 2004-2005

Submitted June 9, 2004

**Santa Barbara Metropolitan Transit District**  
**(MTD)**

**Proposed Budget**

**Final Draft**

**Fiscal Year**

**July 1, 2004 through June 30, 2005**

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## ***Executive Summary***

### **Santa Barbara Metropolitan Transit District Fiscal Year 2004-05 Budget**

	<b>FY 2002-03</b>	<b>FY 2003-04</b>	<b>FY 2004-05</b>	
	<b>Actual</b>	<b>Adopted Budget</b>	<b>Final Estimate</b>	<b>Proposed Budget</b>
<b>Operations</b>				
<b>Ridership</b>				
Regular	5,435,624	5,232,151	5,478,407	5,537,823
Shuttles	606,514	602,162	627,257	632,196
Express	963,336	920,716	963,538	973,375
Regional	0	0	0	25,500
<b>Total Ridership</b>	<b>7,005,474</b>	<b>6,755,028</b>	<b>7,069,202</b>	<b>7,168,894</b>
<b>Service Miles</b>				
Regular	1,830,434	1,788,113	1,788,116	1,763,020
Shuttles	72,177	67,671	67,671	65,653
Express	516,649	494,715	494,715	485,828
Regional	0	0	0	88,400
<b>Total Service Miles</b>	<b>2,419,260</b>	<b>2,350,499</b>	<b>2,350,502</b>	<b>2,402,901</b>
<b>Service Hours</b>				
Regular	139,786	138,721	138,721	137,347
Shuttles	18,080	17,466	17,466	17,080
Express	22,378	21,623	21,623	21,285
Regional	0	0	0	2,125
<b>Total Service Hours</b>	<b>180,244</b>	<b>177,810</b>	<b>177,810</b>	<b>177,837</b>
<b>Passengers per Mile</b>	<b>2.9</b>	<b>2.9</b>	<b>3.0</b>	<b>3.0</b>
<b>Passengers per Hour</b>	<b>38.9</b>	<b>38.0</b>	<b>39.8</b>	<b>40.3</b>
<b>Revenues</b>				
<b>Total Revenue</b>	<b>\$14,297,761</b>	<b>\$15,093,759</b>	<b>\$15,281,735</b>	<b>\$15,571,969</b>
<b>Major Revenue Sources:</b>				
TDA Sales Tax (applied to Operations)	\$4,734,175	\$5,199,998	\$5,224,858	\$5,342,097
Fares	5,547,712	5,923,065	6,053,678	6,185,386
Federal Operating Assistance	2,756,468	2,756,468	2,756,100	2,770,250
<b>Expenses</b>				
<b>Total Expense</b>	<b>\$14,297,761</b>	<b>\$15,093,759</b>	<b>\$15,281,735</b>	<b>\$15,571,969</b>
Wages & Benefits	\$10,089,921	\$10,812,907	\$10,943,342	\$10,777,416
Workers Compensation	1,045,492	851,024	1,027,101	1,148,294
Materials/Supplies	998,449	1,052,167	944,881	907,467
Services	1,267,339	1,342,488	1,267,832	1,388,834
Fuel/Electric Bus Power	677,260	703,003	766,411	997,663
ADA Paratransit	219,300	332,170	332,168	352,295
<b>Farebox Recovery Ratio</b>	<b>38.8%</b>	<b>39.2%</b>	<b>39.6%</b>	<b>39.7%</b>
<b>% of Operating Expense covered by TDA</b>	<b>33.1%</b>	<b>34.5%</b>	<b>34.2%</b>	<b>34.3%</b>
<b>% of TDA applied to Operations</b>	<b>74.7%</b>	<b>80.4%</b>	<b>80.8%</b>	<b>80.9%</b>
<b>Capital Projects</b>				
<b>Total Capital Revenue</b>	<b>\$2,508,024</b>	<b>\$5,216,660</b>	<b>\$5,213,800</b>	<b>\$3,161,657</b>
TDA Sales Tax (applied to Capital)	\$893,260	\$851,660	\$826,800	\$809,577
TDA State Transit Assistance	406,772	414,000	436,000	449,080
Federal Capital Assistance	5,732	3,951,000	3,951,000	1,903,000
<b>Total Capital Expense</b>	<b>\$1,795,799</b>	<b>\$6,702,619</b>	<b>\$6,409,300</b>	<b>\$3,808,794</b>
Bus Acquisition & Rehab	\$219,266	\$4,828,000	\$4,828,000	\$3,031,778
Land & Facilities	1,068,939	947,000	947,000	225,000
Service Vehicles	166,589	0	0	150,000
Bus Stops	42,933	50,000	50,000	25,000
Management Info Systems	42,216	635,000	341,681	327,016
Other Capital Items	255,856	242,619	242,619	50,000
<b>Reserves</b>				
Net (Surplus/Loss)	\$712,225	(\$1,485,959)	(\$1,195,500)	(\$647,137)
Deferred Credits	4,233,354	4,945,579	4,945,579	3,750,079
<b>Balance</b>	<b>\$4,945,579</b>	<b>\$3,459,620</b>	<b>\$3,750,079</b>	<b>\$3,102,942</b>

## **Executive Summary**

### **Key Points**

#### Operations

- Base service hours are budgeted to decrease by approximately 1%.
- Inter-community service to the Santa Ynez Valley commences
- Ridership is projected to increase by 1%

#### Revenues

- Percentage of TDA required to fund daily operations shall remain flat.
- Passenger Fares are projected to increase by \$637,674 or 11.5% from fiscal year 02-03 actual receipts
- Passenger Fares are projected to increase by \$131,708 or 2.2% from fiscal year 03-04 estimates
- No significant change is projected for Federal Operating Assistance for the second consecutive year

#### Expenses

- Total annual expenses are projected to increase by \$280,234 or 1.8% from fiscal year 03-04 estimates
- Total annual expenses are projected to increase by \$1,274,208 or 8.9% from fiscal year 02-03
- Wages & Benefits shall decrease by \$165,926 or 1.5% from fiscal year 03-04 estimates
- Fuel/Electric Bus Power costs are projected to increase by \$231,252 or 30.2%

#### Capital

- MTD shall purchase five (5) over-the-road coaches for the Santa Ynez Valley service
- MTD shall make capital lease payments of \$570,000 for eleven (11) clean diesel buses in fiscal year 04-05
- Land & Facilities costs are projected to exceed \$225,000 for Calle Real Development and Overpass Remediation
- Service Vehicle costs consist of one tow-truck for the maintenance department
- Management Information Systems costs of \$327,016 consists primarily of encumbered contracts for new Fleet Maintenance and Planning software

#### Reserves

- Reserves are projected to decrease by \$647,137 or 17.3% in fiscal year 04-05
- Reserves are projected to decrease by \$1,806,846 or 36.5% between June 30, 2003 and June 30, 2005

## **Mission, Goals and Formation**

The Board of Directors of MTD has previously adopted the following mission and goals:

### Mission

“The mission of the Santa Barbara Metropolitan Transit District is to enhance the personal mobility of South Coast residents and visitors by offering safe, clean, reliable, courteous, accessible and cost-effective transit service throughout the district.”

### Goals

MTD’s goal is to fulfill the mission statement and meet the needs of the public for MTD’s passengers and non-users alike:

- MTD shall provide a reliable, safe, comfortable and attractive means of transportation to those who lack other options including the elderly, disabled, students, and economically disadvantaged; and those who use mass transit by choice including commuters, students and shoppers.
- MTD shall ensure the responsible expenditure of public funds.
- MTD shall continually seek improvements in its operating efficiency.
- MTD shall treat all individuals with fairness and respect, including passengers, employees, suppliers, and all others involved in MTD activities.
- MTD shall work cooperatively with businesses, individuals, community organizations and government agencies in planning and developing transportation services.
- MTD shall work with the public and local governments in order to provide the best transit service possible within the limits of available funding.
- MTD shall comply with the Regional, State and Federal goals of reducing traffic emissions and congestion through provision of an attractive alternative to the personal automobile.
- MTD shall continue to develop, acquire and demonstrate innovative, alternatively fueled buses with an emphasis on emissions reduction and practicality for use in transit service.
- MTD shall seek and use all reasonable means to satisfy public transportation needs.

### MTD Formation

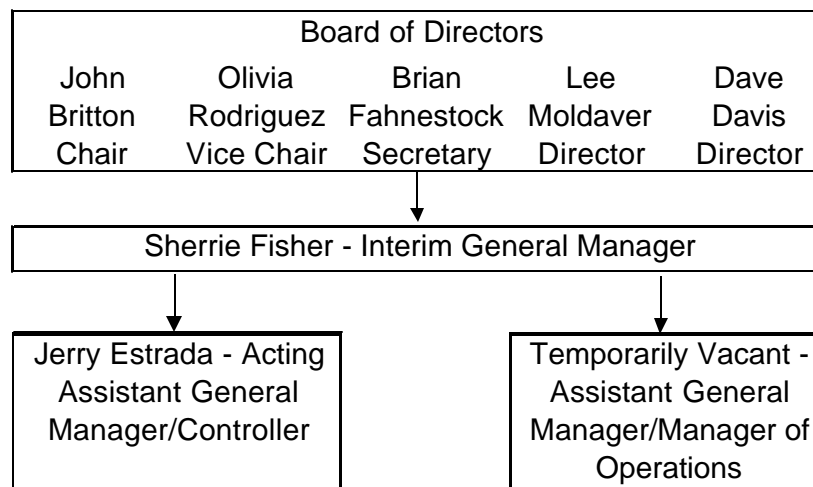
The formation of the Santa Barbara Metropolitan Transit District (MTD) occurred in 1968 following the majority passage of a ballot measure. The legislative authority for the formation, and the organization and powers of MTD are vested in the California Public

Utilities Code (Sections 95000 through 97100) that is cited as "The Santa Barbara Metropolitan Transit District Act of 1965." According to the Act, MTD was established: "...in order to meet the public transit problem of the area... [and]...to develop a single transit system to protect the public interest and welfare."<sup>1</sup>

MTD has grown from a fledgling 12-bus operation to a recognized leader in operating efficiency and transit innovation. Currently MTD operates a fleet of 93 diesel and electric buses serving approximately seven million passengers annually. A staff of 200 drivers, mechanics and administrative personnel operate and oversee its 27 bus and shuttle routes.

From the outset, MTD has attempted to "fill a void" in the transportation mix by providing basic mobility for the transit dependent, those without access to, or unable to use, a car for transportation around the South Coast. In addition, experience has shown that public transit can be a strategic tool in reducing traffic by providing access to jobs and other transportation needs.

### **Organizational Structure – Executive Management**



### **Current Operations**

The Santa Barbara Metropolitan Transit District (MTD) is an independent public agency responsible for public transit in the South Coast area of Santa Barbara County. The service area, shown in the figure below, comprises 52 square miles from Winchester Canyon to Carpinteria. MTD operates 27 fixed routes within its designated service area. These routes include trunk, local, shuttle, and express services. In fall 2004, the MTD will begin inter-community commuter service that originates in the Santa Ynez Valley in northern Santa Barbara County and travels to the South Coast. New over-the-road coaches for this service are on order and should arrive in June. The complementary paratransit service required by the federal Americans with Disabilities Act (ADA) is discussed below.

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<sup>1</sup>California Public Utilities Code, Part 9, Chapter 1, Article 2, Section 95030



### Trunk and Local Service

MTD buses operate 363 days per year, every day except Thanksgiving Day and Christmas Day. Weekday service for major routes starts at 5:25 A.M. and continues throughout the day until midnight. Saturday service starts at 6:00 A.M. and ends at 11:20 P.M., and Sunday service runs from 6:20 A.M. to 10:00 P.M. The MTD has a total revenue fleet of 93 vehicles. The number of vehicles providing service at one time peaks in the mid-afternoon at 70 buses. All vehicles in the MTD fleet are wheelchair accessible, and the service provided by the MTD meets the mandates and spirit of the ADA. The fixed routes and fixed schedules are under the direct control of MTD, with funding provided from the MTD farebox and established Federal and State subsidies.

Charter, school or demand-response transit services are not provided by MTD. However, booster or "tripper" buses are added to regular route service just before and after school hours to alleviate passenger overloading.

### Shuttle Service

The MTD provides shuttle service utilizing 22-foot electric vehicles. The shuttle services are designed to meet local needs, and may be fully or partially funded by local government agencies. Accordingly, shuttle routes, schedules, levels of service, and funding subsidies are subject to agreements between the MTD and the respective local government agency.

### Express Service

The MTD operates express services designed to connect major activity centers. To the extent feasible, these services are routed via U.S. Highway 101, and have limited stops. Express service is an effective and efficient method of providing transit service when a limited number of stops are sufficient to transport a large group of riders to their destinations.

### Inter-Community Service

As mentioned above, the MTD will begin inter-community regional commuter service in fall 2004. The service will provide transportation from the Santa Ynez Valley in northern Santa Barbara County to the South Coast in the A.M. peak period, and return service in



the P.M. peak period. This new service will assist efforts to alleviate traffic congestion and air pollution in the South Coast.

#### ADA Paratransit Service

The MTD subsidizes Easy Lift Transportation, Inc., a private non-profit agency, to operate the curb-to-curb ADA complementary paratransit service as required under the ADA. The ADA mandates that this service must be comparable to the fixed-route service offered by the MTD, including coverage area and days and hours of operation. Persons with disabilities who cannot use the fixed route service for their trip are eligible to use the complementary paratransit service. In FY 2003, Easy Lift provided 18,966 ADA complementary paratransit passenger trips while operating 17,208 vehicle service hours and 221,290 vehicle service miles.

#### **FY 2003-04 Accomplishments & FY 2004-05 Goals**

Fiscal year 03-04 marked the conclusion of a number of capital projects as well as the beginning of a transition into new management. As management has begun the process of altering its practices towards providing more information for public participation, the fact that a number of major capital projects were completed is a significant accomplishment that should not be overlooked. All of the capital projects that were completed were planned and commenced a number of years ago and their completion is a tribute to all current and former MTD employees as well as participating local, state and federal agencies.

#### Consolidated Operating Facility

The project commenced many years ago with the intent of consolidating all of MTD's operations and administrative functions at the Calle Real site owned by MTD. Eventually, it was determined that the existing Cota Street site was a better option as it was closer to the Transit Center in downtown Santa Barbara. The proximity to the Transit Center allows the MTD to decrease deadhead time to its primary passenger facility. Over the years, additional real property was purchased around the Cota Site and businesses were relocated. After a delay due to soil remediation, the project was completed and operations were consolidated in October 2003.

#### Bus Acquisitions (40' & 29')

The 1984 Gillig and 1988 Villager fleets are in the process of being retired. MTD purchased fifteen 40' Gillig buses via a piggyback procurement with Santa Clara Valley Transit Authority. Additionally, eleven 29' Gilligs were purchased as a result of an Invitation for Bids procurement conducted by MTD. The 1984 Gillig fleet had accumulated an average of over 800,000 miles per bus while the 1988 Villagers averaged 500,000. Some of the 1984 Gilligs will be kept as spares as it is more economical than purchasing new buses for this purpose.

Accomplishments not related to capital projects were as follows:

Fare Structure Changes

MTD increased its cash fare while offering discounted passes during fiscal year 03-04. The cash fare for an adult increased from \$1.00 to \$1.25 while 10-Ride passes were left unchanged. Also, new 30-day passes were offered at a discount. The changes were implemented in October 2003 and have resulted in an increase in passenger revenues.

Fiscal Year 04-05 Goals

While much has been accomplished in the current year, there are still a number of significant issues facing the District. The overall goal of executive management for the upcoming year is to achieve a satisfactory resolution to all of the issues listed below:

- South Coast Transit Priorities
- Overpass Site Remediation
- Long-Term Agreements (City of SB)
- Calle Real Property
- Collective Bargaining Agreement
- General Manager Recruitment

The goals listed present considerable challenges for MTD that will be accomplished by working closely with other local agencies. MTD intends to submit an amendment to its existing CMAQ project this summer. MTD, via its “External Affairs” committee, has worked closely with local agencies to produce a plan that meets the spirit of the original South Coast Transit Priorities as well as current transit needs expressed by partner agencies.

MTD is awaiting direction from the County of Santa Barbara in regards to Overpass Site Remediation. MTD will incur significant costs to clean and ultimately prepare the site for sale or lease. A new Collective Bargaining Agreement with Teamsters Local 186 is currently being negotiated. The nature of such negotiations requires that no comments can be made at this time. Similarly, the Board is currently discussing the future of the Calle Real property in closed session.

Long-term agreements with the City of Santa Barbara relating to existing and new services will be negotiated this summer. Finally, MTD is in the process of recruiting a new general manager to lead the District through what promises to be a very lively period in time.

## Operating Budget

### OPERATING REVENUE BUDGET FISCAL YEAR 2004/2005

	PROPOSED BUDGET FY 04/05	FINAL BUDGET FY 03/04	PROPOSED CHANGE	ESTIMATED FY 03/04	VAR (%)
<i>FAREBOX REVENUE</i>					
Cash Fares	\$2,792,691	\$2,879,596	(\$86,905)	\$2,985,833	-6%
Downtown-Waterfront Shuttle*	1,034,176	1,099,377	(65,201)	1,087,738	-5%
UCSB Contract Fares	631,945	590,625	41,320	578,951	9%
SBCC Contract Fares	564,539	477,050	87,489	472,391	20%
Carpinteria Seaside Shuttle	77,513	75,024	2,489	75,429	3%
Adult 10-Ride Passes	543,760	393,221	150,539	399,835	36%
Student 10-Ride Passes	230,427	211,739	18,688	212,662	8%
Senior/Special 10-Ride Passes	121,378	64,849	56,529	97,133	25%
Adult 30-Day Pass	138,009	99,801	38,207	101,480	36%
Student 30-Day Pass	11,867	10,904	962	10,952	8%
Senior/Disabled 30-Day Pass	39,081	20,880	18,201	31,275	25%
<i>Subtotal</i>	<u>\$6,185,386</u>	<u>\$5,923,065</u>	<u>\$262,321</u>	<u>\$6,053,678</u>	<u>2%</u>
<i>NON-TRANSPORTATION INCOME</i>					
Advertising on Buses	\$303,954	\$250,000	\$53,954	\$257,477	18%
Interest on Investments	17,500	32,500	(15,000)	29,463	-41%
Asset Sale & Miscellaneous	13,000	10,700	2,300	7,387	76%
<i>Subtotal</i>	<u>\$334,454</u>	<u>\$293,200</u>	<u>\$41,254</u>	<u>\$294,327</u>	<u>14%</u>
<i>SUBSIDIES</i>					
TDA Sales Tax Revenue	\$6,151,674	\$6,051,658	\$100,016	\$6,051,658	2%
(Amount applied to capitol)	(809,577)	(851,660)	42,083	(\$791,056)	
FTA Formula Assistance	2,770,250	2,756,468	13,782	2,756,100	1%
Property Tax Revenue	627,070	596,028	31,042	596,028	5%
LOA (City of SB)	312,712	325,000	(12,288)	356,744	NA
<i>Subtotal</i>	<u>\$9,052,129</u>	<u>\$8,877,494</u>	<u>\$174,635</u>	<u>\$8,969,474</u>	<u>1%</u>
<i>TOTAL OPERATING REVENUE</i>	<u><u>\$15,571,969</u></u>	<u><u>\$15,093,759</u></u>	<u><u>\$478,210</u></u>	<u><u>\$15,317,479</u></u>	<u><u>2%</u></u>

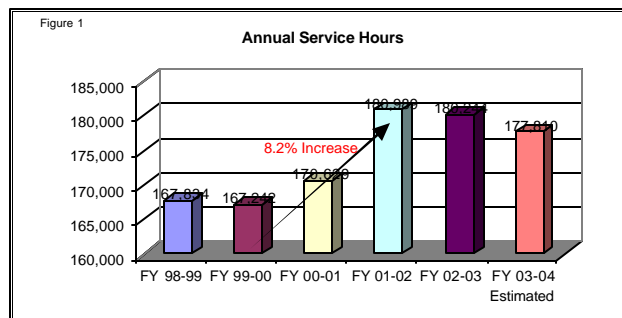
\* FY 04-05 reflects a change in the way MTD accounts for the cash fare credit issued to the City of Santa Barbara.

***OPERATING EXPENSE BUDGET***  
***FISCAL YEAR 2004/2005***

	<b>PROPOSED BUDGET FY 04/05</b>	<b>FINAL BUDGET FY 03/04</b>	<b>PROPOSED CHANGES</b>	<b>ESTIMATED FY 03/04</b>	<b>VAR (%)</b>
<b><i>ROUTE OPERATIONS</i></b>					
Drivers	\$6,402,321	\$6,050,826	\$351,494	\$6,143,923	4%
Dispatch & Supervision	385,952	367,759	18,193	357,932	8%
Hiring & Training	164,551	118,700	45,851	113,313	45%
Risk & Safety	1,594,750	1,247,933	346,817	1,451,543	10%
Transportation Subsidies	352,295	332,170	20,125	332,168	6%
<i>Subtotal</i>	<u>\$8,899,868</u>	<u>\$8,117,388</u>	<u>\$782,481</u>	<u>\$8,398,880</u>	<u>6%</u>
<b><i>VEHICLE MAINTENANCE</i></b>					
Mechanics	\$982,473	\$957,060	\$25,413	\$892,226	10%
Cleaners & Fuelers	498,178	480,667	17,511	463,169	8%
Supervision	371,054	261,725	109,329	246,335	51%
Vehicle Consumables	1,136,927	818,540	318,387	896,945	27%
Bus Parts & Supplies	619,603	774,827	(155,224)	665,926	-7%
Vendor Services	39,000	26,000	13,000	26,191	49%
Risk & Safety	153,190	107,904	45,286	102,580	49%
<i>Subtotal</i>	<u>\$3,800,425</u>	<u>\$3,426,723</u>	<u>\$373,703</u>	<u>\$3,293,372</u>	<u>15%</u>
<b><i>PASSENGER ACCOMMODATIONS</i></b>					
Passenger Facilities	\$450,160	\$445,185	\$4,975	\$442,020	2%
Transit Development	244,964	284,569	(39,605)	290,182	-16%
Promotion & Information	422,944	394,834	28,111	354,143	19%
Fare Revenue Collection	196,998	211,757	(14,760)	190,478	3%
<i>Subtotal</i>	<u>\$1,315,066</u>	<u>\$1,336,345</u>	<u>(\$21,279)</u>	<u>\$1,276,822</u>	<u>3%</u>
<b><i>GENERAL OVERHEAD</i></b>					
Finance	\$358,929	\$559,712	(\$200,783)	\$556,235	-35%
Personnel	37,427	36,823	604	36,383	3%
Utilities & Communication	203,767	224,064	(20,297)	201,314	1%
Operating Facilities	187,728	204,054	(16,327)	185,358	1%
District Administration	768,758	1,188,650	(419,892)	1,333,371	-42%
<i>Subtotal</i>	<u>\$1,556,609</u>	<u>\$2,213,304</u>	<u>(\$656,695)</u>	<u>\$2,312,661</u>	<u>-33%</u>
<b><i>TOTAL OPERATING COST</i></b>	<u><b>\$15,571,969</b></u>	<u><b>\$15,093,759</b></u>	<u><b>\$478,210</b></u>	<u><b>\$15,281,735</b></u>	<u><b>2%</b></u>

## Background

MTD's financial condition relates directly to a service level increase implemented in fiscal year 2002 followed by unexpected decreases in State and Federal subsidies. As figure 1 illustrates, MTD increased service by 8.2% between fiscal year 2000 and 2002. The majority of increased service hours were attributable to commitments made in relation to the South Coast Transit Priorities. During that period, MTD introduced the Seaside Shuttle (Carpinteria) and Crosstown Shuttle (Santa Barbara) services while also increasing service along its Goleta trunk lines.



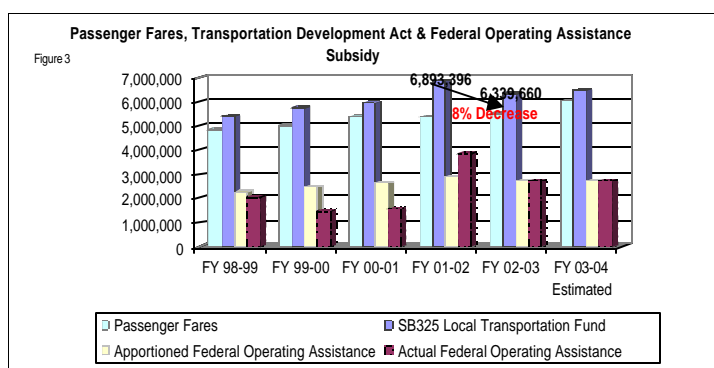
MTD's commitments were made based on financial forecasts from the late 90's that included rising subsidies as well as manageable expenditures. The figure to the left shows the average annual increase of MTD's cost per hour was 2.3% in the five-years preceding the South Coast Transit Priorities. The table also indicates that the annual average cost per hour increase nearly tripled to 6.8% per year during the following five-years. The increased costs were offset by a robust economy that resulted in higher sales tax receipts.

Cost Per Hour Average Annual Increase	
FY 99-03	FY 94-98
6.8%	2.3%

The hourly cost per hour tripled annually at a time in which MTD's annual Workers Compensation costs increased from approximately \$400,000 in fiscal year 98-99 to over \$1 million in 02-03. Additionally, MTD entered into a four-year Collective Bargaining Agreement with the Teamsters Local 186 on July 1, 1999.

## Revenues

Local sales tax receipts dropped by 8% while federal operating assistance also decreased in fiscal year 02-03, instead of growing at a rate that offset increases in critical expenditures such as employee wage and benefits, insurance and fuel. Figure 3 reveals the performance of MTD's three major sources of operating revenue i.e. Passenger Fares, Transportation Development Act (TDA) funds and Federal Operating Assistance during the prior six years.



TDA subsidies are projected to increase by 2.3% in fiscal year 03-04 and 1.7% in 04-05. Federal operating assistance is not projected to increase at all from fiscal year 02-03

levels. The federal government has not yet reauthorized TEA-21 transportation funding that expired last year. The Federal Transit Administration has been working under continuing resolutions. As a result, transit operators around the country are left without a clear picture of future funding levels.

Passenger fares increased by 2.9% in fiscal year 02-03 and are estimated to increase by 9.1% in 03-04. The increase in fiscal year 03-04 is attributable to fare structure changes that were implemented in October of 2003.

While it is heartening that subsidies did not continue to decrease as they did in fiscal year 02-03, it is also a disappointment and ultimately a challenge that they did not increase at a rate consistent with rising costs.

### Expenses

In fiscal year 02-03 operating expenses were approximately \$14.3 million, an increase of 2.3% over the prior year, and are projected to exceed \$15.3 million in fiscal year 03-04. This would result in a 7.1% increase. MTD had unexpected one-time payouts of nearly \$400,000 in fiscal year 03-04. Excluding the unexpected one-time charges, projected operating costs increased by 4.3%. Fiscal year 03-04 marked the final year of MTD's agreement with the Teamsters. That agreement included significant increases in the final year.

The recommended operating budget for fiscal year 04-05 is approximately \$15.5 million or a 1.4% increase from prior year estimates. The operating budget reflects a 1% decrease in base service hours. However, the net result is a wash as MTD intends to introduce regional service to the Santa Ynez Valley in the fall. The budget also reflects a 3% increase in base wage and benefits for MTD's Teamster employees. Of note is the fact that drivers not already in the top rate group get two pay increases within each 12-month span resulting in projected increases ranging from 6.1% - 13.1%. Negotiations with the Teamsters are ongoing and the projected increase is only intended as a placeholder.

## **Assumptions & Explanations – Revenues**

### Ridership and Fares

Ridership is projected to increase by 1%. This projection was based on prior year results coupled with pending service changes. Typically, final ridership estimates are based on results from the first nine months, which are then used to calculate next year's figures. The final ridership projections are used to calculate projected passenger fares distributed by pay category.

The current year included fare structure changes that were implemented in the fourth month of the fiscal year. As a result, ridership figures from nearly a third of the year reflect the old fare structure. Staff adjusted current year estimates to reflect the period

since the fare structure changes took place. Instead of nine months of data from which to base assumptions only five months were deemed applicable.

The table to the right illustrates a trend that indicates an increasing number of passengers are opting for discounted passes rather than the increased cash fare. While the trend is not surprising, the fact that the use of discounted passes is projected to nearly double is noteworthy.

The impact of this trend is two-fold: ridership (which is MTD's core objective) is maintained while revenues are increased. The fare structure changes thus far have been productive, as they have yielded greater revenues without a significant decrease in ridership.

**Ridership - Paid Categories Fiscal Years' 2003 - 2005**

Category	FY 02-03	FY 03-04	FY 04-05
		Estimated	Projected
Cash Fares	2,625,668	2,062,670	2,083,297
Senior Cash	196,763	156,503	158,068
Special Cash	75,927	66,355	67,019
Token	42,879	42,390	42,814
	<u>2,941,237</u>	<u>2,327,918</u>	<u>2,351,197</u>
Adult Passes	342,723	803,593	811,629
Student Passes	238,504	292,555	295,480
Senior/Special Passes	201,482	353,046	356,576
	<u>782,709</u>	<u>1,449,194</u>	<u>1,463,686</u>
Total Paid Ridership:	3,723,946	3,777,112	3,814,883
Change in Ridership:		53,166	37,771
% Change:		1%	1%

**Fares - Paid Categories Fiscal Years' 2003 - 2005**

Category	FY 02-03	FY 03-04	FY 04-05
		Estimated	Projected
Regular Cash Fares	\$2,873,104	\$2,985,833	\$2,792,691
Adult Pass Fares	313,755	501,315	543,760
Student Pass Fares	204,000	223,614	230,427
Senior/Disabled Pass Fares	103,895	128,408	121,378
	<u>\$3,494,754</u>	<u>\$3,839,170</u>	<u>\$3,688,255</u>
Change in Fares:		\$344,416	(\$150,915)
% Change:		10%	-4%

The level of success will be clearer in the upcoming year as a full year's worth of data will be available. MTD's ability to reverse the trend that results in greater dependency on its TDA subsidy to fund operations will provide the true measure of its success. However, it should be pointed out that passenger fares are not the only form of revenue and should not bear the entire burden of correcting the increasing

dependency on TDA subsidies. This issue is discussed in detail in the "Fiscal Resources" section.

Aside from typical passenger fares, MTD has two bulk pass programs in place. These programs give UCSB and SBCC students' unlimited access to MTD's transit services at a significantly discounted rate during the year. In both cases, all students are charged a nominal fee during their registration. Consequently, their student identification cards are used as a transit pass valid during the current semester/quarter. Both programs are successful from a ridership and revenue perspective. MTD benefits from a defined amount of funding prior to providing service. Both UCSB and SBCC benefit

**Revenue - Bulk Pass Programs Fiscal Years' 2003 - 2005**

Category	FY 02-03	FY 03-04	FY 04-05
		Estimated	Projected
UCSB	\$504,158	\$578,951	\$631,945
SBCC	392,322	472,391	564,539
	<u>\$896,480</u>	<u>\$1,051,342</u>	<u>\$1,196,485</u>
Change in Fares:		\$154,862	\$145,143
% Change:		17%	14%
Revenue per Trip:	\$0.72	\$0.86	\$0.97

substantially by offsetting the need for additional onsite parking through encouraging the use of public transit.

Passenger fares also reflect “fare buy-down” subsidies. The City of Santa Barbara has bought down the fare of the successful Downtown Waterfront Electric Shuttle (DWE) service for over a decade. The original intent was to mitigate traffic and enhance the economic vitality of the downtown area by providing quiet, clean and accessible transit service that is a cost effective traffic mitigation measure. This year’s budget projects a fare buy down subsidy in excess of \$1 million. That figure credits the City of Santa Barbara for fares received and includes the Wharf Woody and Commuter Lot Shuttle services.

#### Transportation Development Act – Local Transportation Fund/State Transit Assistance

Local Transportation Fund (LTF) subsidy is made up of a quarter-cent state sales tax. The sales tax is driven by the local economy as the funds are distributed to the counties from which they originate. MTD applies LTF funds against operating expenses and uses excess funds for capital expenditures. It is important to understand that MTD’s source of local funding for capital acquisitions is typically generated from TDA subsidies. Historically, approximately 50% of all capital costs were paid with TDA funds. This includes State Transit Assistance Fund (STA) receipts, which, combined with LTF, make up MTD’s entire TDA subsidy.

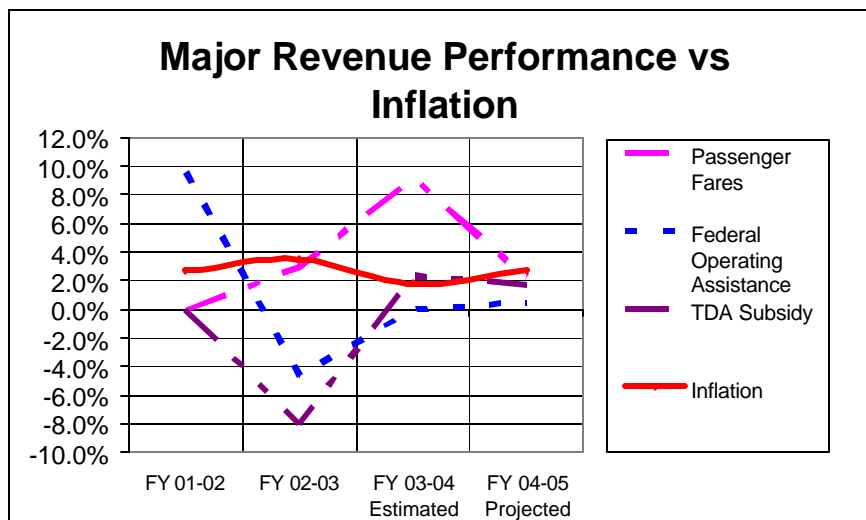
Consequently, the percentage of subsidy used to fund operations is probably the best barometer of MTD’s financial health. Historically, MTD has been able to use all State Transit Assistance Fund (STA) receipts for capital expenditures. However, projections indicate that MTD will be required to apply a greater percentage of its TDA subsidy towards operations, thus creating a major concern over how to fund capital projects.

<b>% of TDA Subsidy needed to cover Operations Fiscal Years' 2002 - 2010</b>									
	Actual		Estimated	Projected					
	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10
% of TDA Subsidy	49.3%	74.7%	80.8%	80.9%	84.5%	87.2%	90.0%	92.7%	95.4%

These projections assume an annual increase in expenditures of 3% and annual revenue increases ranging from .5% to 4%.

The fact that subsidies have not kept pace with inflation over the past few years has placed a burden on passenger fares and existing service levels. MTD addressed the passenger fare element in 2003 and is now focused on the expense side of the ledger. Below is a chart that compares major revenue sources against inflation:





(Inflation = The Consumer Price Index to be used was the U.S. Department of Labor Consumer Price Index for All Urban Consumers, All Items, for Los Angeles - Riverside - Orange County (1982-84=100) as of January of each year.) Federal Operating Assistance figures were "Apportioned" amounts as actual receipts fluctuated considerably due to payments applied towards the Nova bus acquisition.

### 5307 Federal Operating Assistance

Since the population of MTD's urbanized service area remained less than 200,000 as of the 2000 census, MTD continues to qualify for federal operating assistance. The federal government has not yet finalized reauthorization of TEA-21. Thus, future funding is difficult to project. Therefore, staff took a conservative approach to projecting this subsidy.

### Property Tax

Under its original Enabling Act in 1965, MTD was given the power to use local property tax to help fund costs. Section 96220 of the California Public Utilities Code states the following:

"The district may levy, and collect...taxes for any lawful purpose subject to a maximum limit of five cents (\$0.05) per one hundred dollars (\$100.00) of assessed value of all real estate and personal property"

Upon voter approval of MTD formation in 1967, MTD requested the County Auditor-Controller to begin collecting such a tax upon the actual commencement of MTD operations in 1969. Rather than opting for the maximum levy of 5¢ per \$100 of assessed value, half of this figure (2.5¢/\$100) was imposed as an additional element of the aggregate South Coast property tax collections.

The 1977 passage of Proposition 13 limited the growth of taxed assessed values to 1% per annum. Only upon transfer of ownership is the assessed value brought in line with the market value of the property. The effect of the new tax methodology upon property tax recipients, including MTD, was to limit the relatively unchecked expansion of the revenue source occurring in the early and mid-1970. Since that time, the 1% value

limitation has acted as a floor to annual revenue increases as property values were appreciating. Additional growth in such revenues will continue to be dependent upon the volume and value of property sales, as assessed values catch up to the market. Projections provided by the County Auditor-Controller's office indicate a 5.2% increase for a total of \$627,070 in anticipated revenue for fiscal year 04-05.

### Advertising

MTD makes advertising space available both inside and outside of its buses and shuttles. The greatest resource expended is sales-related staff time, critical to attracting clients. Rates vary based on ad location and size which is determined by the perceived effectiveness of a given location and demand.

MTD has budgeted \$303,954 or an 18% increase from fiscal year 03-04. This is attributable to the rate increase approved by the Board of Directors earlier this year and assumes no loss of ad sales. The rate increase will go into effect on January 1, 2005.

### Local Assistance

Local operating assistance consists of the City of Santa Barbara's subsidy of \$312,712 for Crosstown Shuttle service. This subsidy is considered local operating assistance as MTD's standard fare structure applies and the service is administered and operated by MTD. Service levels are determined by MTD with the participation of City staff and the appropriate City advisory committees. MTD and the City entered into a five-year agreement relating to the South Coast Transit Priorities that terminates June 30, 2005. The agreement includes the Crosstown Shuttle service divided into two phases. The first being the "Early Implementation" which required the City to reimburse MTD for all costs incurred through December 2003. The second phase tied the subsidy to a base figure agreed to in 1997 adjusted for inflation. As a result, the amount of subsidy will decrease in comparison to prior years.

## **Assumptions & Explanations – Expenses**

### Service Levels

The budget reflects a 1% reduction in base service hours. However, due to the introduction of regional service to the Santa Ynez Valley, total service hours are equivalent to prior year figures. Final details for the September service adjustments are not finalized at this time, thus the budget reflects staff's recommendations, which are subject to Board approval.

Based on the anticipated changes, service miles and ridership are

	<b>Service Levels</b>			<b>% Change</b>
	<b>FY 2002-03 Actual</b>	<b>FY 2003-04 Revised Estimate</b>	<b>FY 2004-05 Proposed Budget</b>	
<b>Ridership</b>				
Total Ridership	7,005,474	7,069,202	7,168,894	1.4%
<b>Service Miles</b>				
Total Service Miles	2,419,260	2,350,502	2,402,901	2.2%
<b>Service Hours</b>				
Total Service Hours	180,244	177,810	177,837	0.0%
Passengers per Mile	2.9	3.0	3.0	-0.8%
Passengers per Hour	38.9	39.8	40.3	1.4%
Cost/Passenger	\$2.04	\$2.16	\$2.17	0.5%
Cost/Hour	\$79.32	\$85.94	\$87.56	1.9%
Cost/Mile	\$5.91	\$6.50	\$6.48	-0.3%

projected to increase slightly. This is a result of the planning department's efforts to reallocate existing resources where they are needed most. Planning staff recommended increases to specific trips where headway and standing load issues persisted. This was achieved by reducing service to lines that were not meeting performance standards.

### Wages & Benefits

Wage and benefits are budgeted to decrease by \$165,926 from fiscal year 03-04. Wages will decrease by \$156,671 or 2.1% while benefits shall decrease by \$9,253 or .3%. The decrease in wages is due to a reduction of four staff employee equivalents. Union wages are projected to increase by 3.6%. The figures applied to Union wages are simply projections as negotiations for a new collective bargaining agreement with the Teamsters are still in progress. See "Appendix XI" for detail relating to budgeted employee positions.

<b>Wage &amp; Fringe Benefit Breakdown</b>				
	FY 2003-04	FY 2004-05		
	Revised	Proposed		
	Estimate	Budget	Change	
Wages & Benefits	\$10,943,342	\$10,777,416	-1.5%	
Wages	7,386,968	7,230,297	-2.1%	
Fringe Benefits	3,556,373	3,547,120	-0.3%	
<u>Employee Equivalents:</u>				
Staff	35	31	-11.4%	
Union - Drivers	130	130	0.0%	
Union - Supervisors	7	7	0.0%	
Union - Mechanics	15	15	0.0%	
Union - Utility	12	12	0.0%	
	199	195	-2.0%	

### Workers Compensation

<b>Workers Compensation</b>					
	FY 2002-03		FY 2003-04		FY 2004-05
	Actual		Revised Estimate		Proposed Budget
Total Operating Expense	\$14,297,761		\$15,281,735		\$15,571,969
Workers Compensation	1,045,492		1,027,101		1,148,294
% of Budget	7.3%		6.7%		7.4%
<u>Breakdown:</u>					
	Actual	Change vs FY 04-05	Revised Estimate	vs FY 04-05	Proposed Budget
Services/Insurance	\$243,413	53.6%	\$293,790	27.2%	\$373,794
Payouts	\$887,476	18.3%	\$967,367	8.5%	\$1,049,500
Reserves	(\$85,397)		(\$234,056)		(\$275,000)

Workers compensation costs are projected to exceed 1.1 million in fiscal year 04-05. These costs will comprise 7.4% of MTD's total operating budget. While the ratio is only slightly higher than it was in fiscal year 02-03, costs are anticipated to increase by over \$100,000 from that period. A closer look indicates that workers compensation costs related to services and insurance are budgeted to increase by 53.6% over the two-year period while payouts increase by 18.3%.

Materials/Supplies

<b>Materials/Supplies</b>					
	FY 2002-03		FY 2003-04		FY 2004-05
	Actual	Change vs FY 04- 05	Revised Estimate	Change vs FY 04- 05	Proposed Budget
Total Expense	\$14,297,761		\$15,281,735		\$15,571,969
Materials/Supplies	998,449	-9.1%	944,881	-4.0%	907,467
<u>Significant Changes:</u>					
Tire Lease			\$120,111	5.1%	\$126,264
Bus Parts Issued			\$604,554	-9.4%	\$547,803

Costs of materials and supplies are budgeted to decrease by \$37,414 or 4% as a whole. This is attributable to a projected decrease in bus parts issued of \$56,751 from fiscal year 03-04 estimates. The purchase of twenty six (26) new clean diesel buses with a one-year warranty has allowed MTD to project a decrease cost of bus parts issued. The majority of the buses were delivered between March and April of the current year. Therefore, the warranty period for these buses will extend into the first nine months of fiscal year 2005. Management intends to allocate the majority of service miles to the new buses to take advantage of the warranty period. Under an existing tire lease agreement with Goodyear Tire Company, MTD projects a 5.1% increase in tire lease costs. Contractually, the rate per tire will increase by 3% but the addition of new fleets' results in a wider variety of tires with varying costs.

Fuel/Electric Bus Power

<b>Fuel/Electric Bus Power</b>				
	FY 2002-03	FY 2003-04	FY 2004-05	
	Actual	Revised Estimate	Proposed Budget	Change
Fuel/Electric Bus Power	677,260	766,411	997,663	30.2%

The cost of diesel fuel has increased dramatically in the last few months. In April, the cost per gallon of diesel fuel exceeded \$1.70 in comparison to a range of 90 cents to \$1.28 last year between March and June. Predicting the cost of diesel fuel has become more difficult. However, based on historical trends and forecasts related to "Unleaded Gasoline" futures<sup>2</sup> staff is assuming an average cost of \$1.50 per gallon for fiscal year 2005. This will result in an increase of \$231,252 over fiscal year 2004 estimates.

It should be noted that MTD's contract with its fuel supplier terminates June 30, 2004. MTD is currently partnering with the Metropolitan Transit Authority (MTA) in a co-operative procurement for a new contract that should result in a more competitive price.

<sup>2</sup> Price quotes for NYMEX N.Y. Harbor Unleaded Gasoline dated May 12, 2004

Services

<b>Services</b>				
	FY 2002-03	FY 2003-04	FY 2004-05	
	Actual	Revised Estimate	Proposed Budget	Change
Services	1,267,339	1,267,832	1,388,834	9.5%
<hr/>				
	FY 2003-04	FY 2003-04	FY 2004-05	
	Revised Estimate	Final Budget	Proposed Budget	Change
<u>Significant Changes:</u>				
Public Liability	\$229,279	\$223,627	\$293,872	31.4%
Media Ad Placement	20,075	30,000	45,000	50.0%
Route Schedules & Information	70,776	75,200	86,500	15.0%
Tickets, Tokens & Transfers	48,763	65,622	50,787	-22.6%
UTILITIES	201,314	224,064	203,767	-9.1%
Miscellaneous Services	44,709	19,825	64,900	227.4%
Mandated Fees & Permits	101,860	87,500	40,400	-53.8%

Services are budgeted to increase by \$121,002 or 9.5% from fiscal year 2004 estimates. Services include liabilities, promotions, passenger information, utilities, legal fees and other professional services. Increases in liability related costs are primarily attributable to rising insurance and administrative costs. Media advertisement placement is budgeted to increase by \$15,000 but over \$11,000 is attributable to encumbered contracts. As the table above indicates, media advertising is estimated to be approximately \$10,000 under budget in fiscal year 03-04. Planned media advertising includes commercials on KSBY as well as Univision.

The increase in route and schedule information reflects the need to print additional bus books as well as new pocket maps. Costs of printing tickets and transfers fluctuate significantly from year-to-year depending on stock levels. Utility costs are budgeted to decrease by 9.1% as a result of consolidation. Miscellaneous services include six months of consulting services related to implementation of Planning and Maintenance software. Mandated fees were inflated in fiscal year 03-04 to compensate for a one-time \$70,000 fee for the underground storage tank at the Overpass facility. Fiscal year 04-05 includes costs related to groundwater testing and required annual underground storage tank fees.

ADA Paratransit Subsidy

<b>Services</b>				
	FY 2002-03	FY 2003-04	FY 2004-05	
	Actual	Revised Estimate	Proposed Budget	Change
ADA	219,300	332,168	352,295	6.1%

ADA Paratransit services are contracted to Easy Lift. Fiscal year 04-05 reflects an increase of 6.1% in budgeted costs. It should be noted that fiscal year 04-05 will reflect 12 months of expanded Easy Lift service to Carpinteria, whereas the prior year included only 10 months. MTD's annual costs are projected to increase by 60.6% from fiscal year 02-03 figures. Those costs also reflect the fact that Easy Lift is dealing with the same type of cost pressures as MTD.

## Division Budgets

The “Assumptions & Explanations – Expenses” section of this document discussed budgeted operating expenses for fiscal year 04-05 from the executive level perspective. The “Division Budgets” section reflects the same figures but from an operational perspective. This section is intended to provide the reader with a basic idea of how MTD is structured from a functional point of view.

## Route Operations

	PROPOSED BUDGET FY 04/05	FINAL BUDGET FY 03/04	PROPOSED CHANGES	ESTIMATED FY 03/04	VAR (%)
<i>ROUTE OPERATIONS</i>					
Drivers	\$6,402,321	\$6,050,826	\$351,494	\$6,143,923	4%
Dispatch & Supervision	385,952	367,759	18,193	357,932	8%
Hiring & Training	164,551	118,700	45,851	113,313	45%
Risk & Safety	1,594,750	1,247,933	346,817	1,451,543	10%
Transportation Subsidies	352,295	332,170	20,125	332,168	6%
<i>Subtotal</i>	<i>\$8,899,868</i>	<i>\$8,117,388</i>	<i>\$782,481</i>	<i>\$8,398,880</i>	<i>6%</i>

The route operations division consists solely of the operations department. Functional responsibilities are divided into human resources and risk management as well as operations. All costs relating to operations including drivers, hiring and training and supervision are included. Additionally, costs associated with ADA paratransit service and liabilities are incorporated. Division costs are projected to increase by \$500,988 or 6% from prior year estimates. Workers compensation costs account for \$143,207 of the increase while projected driver wages and benefits account for \$258,398.

## Vehicle Maintenance

	PROPOSED BUDGET FY 04/05	FINAL BUDGET FY 03/04	PROPOSED CHANGES	ESTIMATED FY 03/04	VAR (%)
<i>VEHICLE MAINTENANCE</i>					
Mechanics	\$982,473	\$957,060	\$25,413	\$892,226	10%
Cleaners & Fuelers	498,178	480,667	17,511	463,169	8%
Supervision	371,054	261,725	109,329	246,335	51%
Vehicle Consumables	1,136,927	818,540	318,387	896,945	27%
Bus Parts & Supplies	619,603	774,827	(155,224)	665,926	-7%
Vendor Services	39,000	26,000	13,000	26,191	49%
Risk & Safety	153,190	107,904	45,286	102,580	49%
<i>Subtotal</i>	<i>\$3,800,425</i>	<i>\$3,426,723</i>	<i>\$373,703</i>	<i>\$3,293,372</i>	<i>15%</i>

Vehicle maintenance consists solely of the maintenance department. Functional responsibilities are divided into maintenance and materials management. Costs

attributable to mechanics, utility personnel, shop supervision, consumables, parts and repairs are all included. Budgeted costs are projected to increase by \$433,926 or 13.1%. Fuel and lubricants account for \$230,525 of the increase while wages and benefits account for the majority of the remaining increase. This is not an increase in staff levels, but rather a reallocation of two full-time staff employee equivalents as well as typical wage and benefit increases. Diesel fuel costs are projected to increase substantially in the upcoming year while parts are budgeted to decrease due to warranty agreements.

## Passenger Accommodations

	<b>PROPOSED BUDGET FY 04/05</b>	<b>FINAL BUDGET FY 03/04</b>	<b>PROPOSED CHANGES</b>	<b>ESTIMATED FY 03/04</b>	<b>VAR (%)</b>
<i>PASSENGER ACCOMMODATIONS</i>					
Passenger Facilities	\$450,160	\$445,185	\$4,975	\$442,020	2%
Transit Development	244,964	284,569	(39,605)	290,182	-16%
Promotion & Information	422,944	394,834	28,111	354,143	19%
Fare Revenue Collection	196,998	211,757	(14,760)	190,478	3%
<i>Subtotal</i>	<i>\$1,315,066</i>	<i>\$1,336,345</i>	<i>(\$21,279)</i>	<i>\$1,276,822</i>	<i>3%</i>

The passenger accommodations division consists of the planning, marketing and passenger facility departments. Functional responsibilities are divided into transit planning, transit oriented development, transit marketing, community relations, passenger facilities, and fare revenue collection. It should be noted that the fare revenue collection activity is overseen by the finance department. Budgeted costs for passenger accommodation are projected to increase by \$38,244 or 3%.

## General Overhead

	<b>PROPOSED BUDGET FY 04/05</b>	<b>FINAL BUDGET FY 03/04</b>	<b>PROPOSED CHANGES</b>	<b>ESTIMATED FY 03/04</b>	<b>VAR (%)</b>
<i>GENERAL OVERHEAD</i>					
Finance	\$358,929	\$559,712	(\$200,783)	\$556,235	-35%
Personnel	37,427	36,823	604	36,383	3%
Utilities & Communication	203,767	224,064	(20,297)	201,314	1%
Operating Facilities	187,728	204,054	(16,327)	185,358	1%
District Administration	768,758	1,188,650	(419,892)	1,333,371	-42%
<i>Subtotal</i>	<i>\$1,556,609</i>	<i>\$2,213,304</i>	<i>(\$656,695)</i>	<i>\$2,312,661</i>	<i>-33%</i>

The general overhead division consists of the finance and district administration departments. Functional responsibilities are divided into finance, procurement, compliance, personnel, operating facilities, information technology and administration. The materials management department oversees operating facility duties while the operations department supervises personnel functions. Budgeted costs are projected to



decrease by \$756,052. This is due in large part to a decrease of \$538,476 in wages and benefits in the district administration department. Wages and benefits of the finance department are budgeted to decrease by \$197,306. The decrease in finance reflects a reduction of one full-time position and the reallocation of two maintenance employees.

## Capital Budget

Managing the replacement of assets has always been one of the most daunting tasks faced by executive management. As an independent transit operator with TDA as the primary source of funding, it is very difficult for MTD to set aside capital reserves. Historically, approximately 50% of all capital expenditures have been paid for with local funds.

Currently, after all local revenues are exhausted it is necessary to apply the majority of TDA funds to daily operations. Reliance on TDA to meet operating expenses will increase. Thus, the amount of TDA available for future capital expenditures will decrease; MTD's need to depend on other agencies (for assistance with capital acquisitions) will rise. The City of Santa Barbara (City), in the past few years, has assisted with the acquisition of shuttles for services within their jurisdiction. Ideally, federal funds will be awarded for future shuttle acquisitions minimizing the City's contribution.

With the exception of TDA funds, the Federal Transit Administration (FTA) is the greatest contributor of capital funding. MTD has been the recipient of 5309 discretionary federal funds for projects such as the Consolidated Operating Facility and Hybrid Buses. Likewise, the Santa Barbara County Association of Governments, the local Metropolitan Planning Organization, has awarded Congestion Mitigation and Air Quality funds for bus purchases. Federal capital assistance typically covers 80 – 88.5% of the total project costs. For example, MTD recently purchased fifteen (15) 40' clean diesel buses for a total project cost of approximately \$4,500,000. MTD was awarded \$3,600,000 in CMAQ funds for the project leaving a local share of \$900,000.

State Transit Assistance – STA (TDA) is the only regular funding source dedicated solely to capital acquisitions. The "Financial Forecast" on page 26 projects a range of \$450,000 to \$508,000 in STA funds over the next 6 years. Since the amount of STA funding is typically inadequate to cover the local share of capital costs, MTD must allocate sufficient Local Transportation Funds – LTF (TDA), while also balancing the operating budget.

The table below provides a historical comparison between capital assets and accumulated depreciation. With depreciation of \$1.4 million per year and current operating and capital reserves of \$3 million decreasing by 57% by fiscal year 09-10, the challenge of paying for future capital acquisitions is clear.

Capital Assets & Depreciation					
	Fiscal Year				
	1999	2000	2001	2002	2003
Total Capital Assets:					
Production Equipment	\$19,840,609	\$20,547,291	\$24,438,315	\$25,232,990	\$25,536,923
Non-Production Equipment	1,338,318	1,462,783	1,640,321	1,938,930	2,037,758
	<u>\$21,178,927</u>	<u>\$22,010,074</u>	<u>\$26,078,636</u>	<u>\$27,171,920</u>	<u>\$27,574,681</u>
Accumulated Depreciation:					
Production Equipment	\$9,751,313	\$10,969,087	\$12,150,773	\$13,767,060	\$15,162,410
Non-Production Equipment	1,052,210	1,170,680	1,018,981	1,153,519	1,269,315
	<u>\$10,803,523</u>	<u>\$12,139,767</u>	<u>\$13,169,754</u>	<u>\$14,920,579</u>	<u>\$16,431,725</u>
Change in Depreciation:	\$1,336,244	\$1,029,987	\$1,750,825	\$1,511,146	
Average Annual Increase:	\$1,407,051				

## Capital Budget Schedule

	<b>Capital Projects</b>		
	<b>PROPOSED BUDGET FY 04/05</b>	<b>FINAL BUDGET FY 03/04</b>	<b>ESTIMATED FY 03/04</b>
<i>CAPITAL REVENUE</i>			
Sales Tax Revenue (TDA)	\$809,577	\$851,660	\$826,800
Other Capital Assistance	0	0	0
State Transit Assistance (TDA)	449,080	414,000	436,000
Federal Capital Assistance	1,903,000	3,951,000	3,951,000
<i>Total Capital Revenue</i>	<i>\$3,161,657</i>	<i>\$5,216,660</i>	<i>\$5,213,800</i>
<i>CAPITAL PROJECTS</i>			
Buses	\$2,727,956	\$4,650,000	\$4,650,000
Bus Rehab	303,822	178,000	178,000
Fixed Facilities	125,000	875,000	875,000
Calle Real Development	100,000	72,000	72,000
Radios & Fareboxes	0	186,619	186,619
Service Vehicles	150,000	0	0
Bus Stops	25,000	50,000	50,000
Shop Equipment	40,000	46,000	46,000
Management Info Systems	327,016	635,000	341,681
Office Furniture & Equipment	10,000	10,000	10,000
<i>Total Capital Projects</i>	<i>\$3,808,794</i>	<i>\$6,702,619</i>	<i>\$6,409,300</i>
Net (Surplus/Loss)	(\$647,137)	(\$1,485,959)	(\$1,195,500)

Capital project costs are budgeted to exceed revenues by \$574,009 in fiscal year 04-05 which will be funded with TDA reserves. The majority of costs relate to the acquisition of buses. Over \$2.1 million will be spent for the purchase of five (5) over-the-road coaches for regional service to the Santa Ynez Valley. The costs are offset by \$1.9 million in federal funds leaving a local share of approximately \$200,000. An additional \$570,000 will be spent related to a capital lease for eleven (11) 29' clean diesel buses. TDA funds will be applied towards the lease payments. Management information system costs are encumbered from last year's budget. Bus rehabilitation costs represent engine, transmission and in-frame replacements. Budgeted service vehicle costs of \$150,000 reflect the need for a replacement tow-truck. The existing vehicle (over 20 years old) can no longer handle the workload. Private tow-truck operators were used at times during the prior fiscal year. Fixed facilities and Calle Real development consist of projected Overpass site remediation and professional service costs. Shop Equipment includes the acquisition of a new brake lathe and the replacement of a set of Sefac lifts. Budgeted bus stop costs represent routine replacement of bus benches, trash receptacles and the continuation of the State/Hollister project.

**Financial Forecast****OPERATING & CAPITAL BUDGET***Financial Forecast*

	<b>DRAFT BUDGET FY 04/05</b>	<b>GROWTH</b>	<b>PROJECTED FY 05/06</b>	<b>PROJECTED FY 06/07</b>	<b>PROJECTED FY 07/08</b>	<b>PROJECTED FY 08/09</b>	<b>PROJECTED FY 09/10</b>
<b>OPERATING REVENUE</b>							
Passenger Fares	\$6,185,386	1.50%	\$6,278,167	\$6,372,339	\$6,467,924	\$6,564,943	\$6,663,417
Federal Operating Assistance	2,770,250	0.50%	2,784,102	2,798,022	2,812,012	2,826,072	2,840,203
Property Tax Revenue	627,070	4.00%	652,153	678,239	705,368	733,583	762,927
Local Operating Assistance	312,712	3.00%	322,093	331,756	341,709	351,960	362,519
Non-Transportation Income	334,454	1.00%	337,799	341,177	344,588	348,034	351,515
Sales Tax Revenue (TDA)	5,342,097	2.50%	5,714,815	6,050,269	6,397,354	6,756,432	7,127,875
<i>Total Operating Revenue</i>	<u>\$15,571,969</u>		<u>\$16,089,128</u>	<u>\$16,571,802</u>	<u>\$17,068,956</u>	<u>\$17,581,025</u>	<u>\$18,108,455</u>
<b>OPERATING EXPENSE</b>							
Route Operations	\$8,899,868	3.00%	\$9,166,864	\$9,441,870	\$9,725,127	\$10,016,880	\$10,317,387
Vehicle Maintenance	3,800,425	3.00%	3,964,438	4,083,371	4,205,873	4,332,049	4,462,010
Passenger Accommodations	1,315,066	3.00%	1,354,518	1,395,153	1,437,008	1,480,118	1,524,522
General Overhead	1,556,609	3.00%	1,603,308	1,651,407	1,700,949	1,751,977	1,804,537
<i>Total Operating Expense</i>	<u>\$15,571,969</u>		<u>\$16,089,128</u>	<u>\$16,571,802</u>	<u>\$17,068,956</u>	<u>\$17,581,025</u>	<u>\$18,108,455</u>
<b>CAPITAL REVENUE</b>							
Sales Tax Revenue (TDA)	\$809,577		\$590,651	\$412,834	\$227,326	\$33,865	(\$167,821)
Other Capital Assistance	0		0	0	0	0	0
State Transit Assistance (TDA)	449,080	2.50%	460,307	471,815	483,610	495,700	508,093
Federal Capital Assistance	1,903,000		3,884,922	1,767,630	0	0	0
<i>Total Capital Revenue</i>	<u>\$3,161,657</u>		<u>\$4,935,880</u>	<u>\$2,652,278</u>	<u>\$710,936</u>	<u>\$529,566</u>	<u>\$340,272</u>
<b>CAPITAL PROJECTS</b>							
Buses	2,727,956		5,337,680	2,567,322	570,000	427,500	0
Bus Rehab	303,822		240,000	252,000	264,600	277,830	291,722
Fixed Facilities	125,000		275,000	50,000	25,000	25,000	25,000
Calle Real Development	100,000		100,000	0	0	0	0
Fareboxes & Radios	0		15,000	10,000	10,000	10,000	10,000
Service Vehicles	150,000		0	0	0	200,000	0
Bus Stops	25,000		25,000	20,000	20,000	20,000	20,000
Shop Equipment	40,000		30,000	30,000	30,000	30,000	30,000
Management Info Systems	327,016		35,000	10,000	10,000	10,000	10,000
Office Furniture & Equipment	10,000		10,000	10,000	10,000	10,000	10,000
<i>Total Capital Projects</i>	<u>\$3,808,794</u>		<u>\$6,067,680</u>	<u>\$2,949,322</u>	<u>\$939,600</u>	<u>\$1,010,330</u>	<u>\$396,722</u>
<b>TOTAL OPERATING &amp; CAPITAL</b>	<u>\$19,380,763</u>		<u>\$22,156,808</u>	<u>\$19,521,124</u>	<u>\$18,008,556</u>	<u>\$18,591,355</u>	<u>\$18,505,177</u>
Net (Surplus/Loss)	(\$647,137)		(\$1,131,800)	(\$297,044)	(\$228,664)	(\$480,764)	(\$56,450)
Deferred Credits	3,750,079		3,102,942	1,971,142	1,674,098	1,445,434	964,670
Balance	\$3,102,942		\$1,971,142	\$1,674,098	\$1,445,434	\$964,670	\$908,220

## Fiscal Resources & Analysis

As discussed earlier, there are three major sources of operating funds i.e. Passenger Fares, Transportation Development Act (TDA) and federal Operating Assistance. The rate at which these revenues increase offset by the growth in operating costs determine the level of service that can be provided. As a result of decreased subsidies and rising costs, MTD opted to adjust its fare structure in fiscal year 03-04 to increase passenger fare revenue. This was the first fare structure change in over six years. Below is a table that forecasts the use of TDA subsidy and projects the level of reserves into fiscal year 2010.

	Current Forecast					
	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10
<b>Operations</b>						
Other Revenue	\$10,229,872	\$10,374,313	\$10,521,533	\$10,671,602	\$10,824,593	\$10,980,580
Local Transportation Fund - (TDA)	5,342,097	5,714,815	6,050,269	6,397,354	6,756,432	7,127,875
Total Operating Revenue	15,571,969	16,089,128	16,571,802	17,068,956	17,581,025	18,108,455
<b>Capital</b>						
Local Transportation Fund - (TDA)	\$809,577	\$590,651	\$412,834	\$227,326	\$33,865	(\$167,821)
State Transit Assistance (TDA)	449,080	460,307	471,815	483,610	495,700	508,093
Total TDA applied to Capital:	\$1,258,657	\$1,050,958	\$884,648	\$710,936	\$529,566	\$340,272
% of TDA applied to Operations:	80.9%	84.5%	87.2%	90.0%	92.7%	95.4%
% of TDA available for Capital:	19.1%	15.5%	12.8%	10.0%	7.3%	4.6%
<b>Reserves</b>						
Net (Surplus/Loss)	(\$647,137)	(\$1,131,800)	(\$297,044)	(\$228,664)	(\$480,764)	(\$56,450)
Deferred Credits	3,750,079	3,102,942	1,971,142	1,674,098	1,445,434	964,670
Balance	\$3,102,942	\$1,971,142	\$1,674,098	\$1,445,434	\$964,670	\$908,220

The table indicates that the rate at which TDA funds are applied to operations will increase from 80.9% to 95.4% in the next six years. Reserves will decrease by 70.7% during the same period. The forecast assumes 3% annual growth in operating expenditures. While it is apparent that MTD will have difficulty in setting aside funds for capital reserves it is also clear that operating cash flow will be severely affected. However, it should be pointed out that had action not taken place to increase revenues the forecast would have been much more severe. Below is a table of what today's forecast would have looked like had no action been taken.

	Without FY 03-04 Fare Structure Changes					
	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10
<b>Operations</b>						
Other Revenue	\$9,759,877	\$9,897,268	\$10,037,332	\$10,180,139	\$10,325,757	\$10,474,262
Local Transportation Fund - (TDA)	5,812,092	6,191,860	6,534,469	6,888,817	7,255,267	7,634,193
Total Operating Revenue	15,571,969	16,089,128	16,571,802	17,068,956	17,581,025	18,108,455
<b>Capital</b>						
Local Transportation Fund - (TDA)	\$339,582	\$113,606	(\$71,367)	(\$264,137)	(\$464,970)	(\$674,139)
State Transit Assistance (TDA)	449,080	460,307	471,815	483,610	495,700	508,093
Total TDA applied to Capital:	\$788,662	\$573,913	\$400,448	\$219,473	\$30,730	(\$166,046)
% of TDA applied to Operations:	88.1%	91.5%	94.2%	96.9%	99.6%	102.2%
% of TDA available for Capital:	11.9%	8.5%	5.8%	3.1%	0.4%	-2.2%
<b>Reserves</b>						
Net (Surplus/Loss)	(\$1,117,132)	(\$1,608,845)	(\$781,244)	(\$720,127)	(\$979,600)	(\$562,768)
Deferred Credits	3,327,329	2,210,197	601,352	(179,892)	(900,020)	(1,879,619)
Balance	\$2,210,197	\$601,352	(\$179,892)	(\$900,020)	(\$1,879,619)	(\$2,442,387)

## **Significant Potential Resources**

### Measure D

Measure D, which was passed by the voters of Santa Barbara County in November of 1989, provides a one-half cent sales tax over a period of twenty years and dedicates those revenues for transportation projects and programs. Local agencies receive 70% of the revenues for local street repair and transit, 29.5% for regional highway and transit projects and the remaining .5% is used for specialized transit services.

MTD is the largest transit provider in Santa Barbara County but is not a direct recipient of Measure D funds. Measure D expires in 2009 and its reauthorization may provide MTD with an opportunity to seek direct recipient status.

### Congestion Mitigation and Air Quality (CMAQ)

MTD has been awarded federal earmarks for projects relating to alternative fuel buses and facilities that support such equipment. However, federal earmarks for diesel bus replacements are more difficult to obtain due to competition and limited funding options. Annually, SBCAG distributes millions of dollars in local, state and federal funds. One of the federal funding sources is Congestion Mitigation and Air Quality (CMAQ). MTD has been awarded CMAQ funds for diesel bus replacements but only as a component of a larger project that also demonstrated significant air quality improvements.

Recently, Santa Barbara County's air quality status was changed from "Non-Attainment" to "Maintenance". With the change diesel bus replacement should qualify for CMAQ funding without the need to commit to projects that may overextend an agency's resources. However, changes to the local CMAQ scoring system would need to take place.

### Land

MTD owns two properties within southern Santa Barbara County that should generate significant revenue in the future. The first is the Calle Real property. Consistent with the Brown Act, MTD has held closed-door discussions regarding this property. Costs associated with this project are being incurred. A final resolution is anticipated in the near future.

The second property is the Overpass Road site, which use to support the majority of MTD's diesel fleet of vehicles. This site contained an underground storage tank that may require remediation. MTD is awaiting direction from County of Santa Barbara staff regarding this matter. Unfortunately, MTD will have to spend significant resources in order to clean up the site and make it available for sale or lease.

## **Financial Stability**

MTD's financial circumstance is consistent with that of other local governments. MTD's dependency on sales tax revenue, which is distributed based on the percentage of the County population served, is being stretched. As this subsidy has not grown at a rate consistent with costs, the need to reallocate existing resources efficiently is critical. By

analyzing MTD's finances and taking into account current and future needs the following issues become clear:

- TDA subsidy is being stretched to cover existing service levels. In doing so, fewer subsidies are available for capital acquisitions.
- Reserves are inadequate to cover future capital needs. The local share of projected bus and shuttle acquisitions is unfunded. Typically TDA receipts would be used to cover these costs. However, as the forecast indicates, MTD will be applying a greater percentage of TDA to operations. Appendix IX, "Capital Replacement – Buses & Shuttles" forecasts the cost of replacing vehicles through 2021. The forecast indicates that to cover projected bus and shuttle replacement, MTD should set aside approximately \$1,300,000 each year starting fiscal year 2007.
- The need to generate sufficient capital funding from existing sources will place pressure on operational activities.
- Decreased cash reserves will negatively impact operating cash flow requirements.

### **Financial Needs Assessment**

Action taken by MTD's Board of Directors in fiscal year 03-04 to address the structural imbalance between operating revenue and expenses has helped offset what could have been extreme service level adjustments. However, the forecast clearly makes the case that MTD will have to take action to control costs. If MTD manages to hold annual cost growth to 3% and revenue projections are achieved, other steps will be required to increase operating and capital reserves to adequate levels.

It is recommended that MTD begin the second step of a five-step process to achieve financial stability. The steps are as follows:

Steps:

- 1 Adjust Fare Structure
- 2 Cost Containment
- 3 Create Capital Reserve
- 4 Create Operational Reserve
- 5 Generate Additional Operating Revenue

Step one was addressed in fiscal year 03-04 when the Board adjusted the existing fare structure policy. The second step is ongoing; the recommended budget reflects a 1.4% increase in total operating costs from prior year estimates. MTD will maximize the benefits of the consolidated facility to decrease costs. Additionally, new buses, which are currently under warranty, will be used extensively in the next year to help decrease the cost of bus parts.

Over 76.5% of operating costs relate to workers compensation and wages and benefits. Workers compensation costs increased in spite of a decrease in the number of claims. MTD has adhered to an unofficial hiring freeze over the past year and employee equivalents of staff positions have fallen. It is still unclear if current employee levels will be sufficient to operate the District in the long-term

Creating a capital reserve that protects the principal balance while generating sufficient interest income to pay for current and future capital needs is a high priority. While it would be tempting to allocate new unrestricted funds to operations, consideration should be given to the fact that doing so would result in only a short-term gain that could not be sustained. However, by addressing the capital reserve issue a greater percentage of existing subsidies can be applied towards operations. Simply put, by setting aside funds that generate enough income to pay for capital acquisitions operational activities are directly impacted.

An Ad-hoc Financial Stability committee has formed to try to develop a plan to achieve steps three through five. Steps four through five are without a doubt the most difficult as they require a new sustainable source of operating revenue. The source must be dedicated to public transit in the south coast.



## ***Appendices***

## Route Operations Budget Detail

### ROUTE OPERATIONS BUDGET

FISCAL YEAR 2004/2005

	PROPOSED BUDGET FY 04/05	FINAL BUDGET FY 03/04	PROPOSED CHANGE	ESTIMATED FY 03/04
<i>DRIVERS</i>				
Scheduled	\$4,106,975	\$3,808,084	\$298,891	\$3,942,936
Scheduled Overtime	73,937	104,675	(30,738)	99,740
Unscheduled Pay	59,781	67,796	(8,015)	78,263
FICA	369,725	344,918	24,806	355,402
Pension	587,783	566,822	20,961	556,239
Health	514,519	540,069	(25,550)	497,791
Sick Pay	101,230	86,217	15,013	80,192
Vacation Pay	347,737	324,237	23,501	316,692
Holiday Pay	188,350	163,425	24,925	168,963
Other Paid Leave	13,273	14,423	(1,150)	11,514
Unemployment Insurance	21,010	9,600	11,410	25,952
Uniforms	18,000	20,560	(2,560)	10,240
<i>Drivers Subtotal</i>	<u>\$6,402,321</u>	<u>\$6,050,826</u>	<u>\$351,494</u>	<u>\$6,143,923</u>
<i>DISPATCH &amp; SUPERVISION</i>				
Supervisors	\$143,946	\$139,753	\$4,193	\$126,158
Staff	113,738	89,877	23,861	106,179
FICA	22,763	21,587	1,177	19,441
Pension	28,512	26,273	2,239	22,717
Health	34,670	35,889	(1,219)	36,602
Sick Pay	2,522	9,413	(6,892)	13,947
Vacation Pay	28,115	28,856	(742)	22,685
Holiday Pay	9,819	14,359	(4,540)	8,478
Other Paid Leave	982	1,436	(454)	364
Unemployment Insurance	886	315	571	1,362
<i>Dispatch &amp; Supervision Subtotal</i>	<u>\$385,952</u>	<u>\$367,759</u>	<u>\$18,193</u>	<u>\$357,932</u>
<i>HIRING &amp; TRAINING</i>				
Staff	\$60,900	\$0	\$60,900	\$0
Student Drivers	7,718	9,648	(1,930)	709
Existing Drivers/Supers	35,860	66,867	(31,008)	79,733
FICA	8,805	5,853	2,951	5,530
Pension	2,995	2,908	87	0
Health	8,771	7,663	1,108	393
Sick Pay	468	0	468	0
Vacation Pay	5,856	0	5,856	0
Holiday Pay	3,904	0	3,904	0
Other Paid Leave	390	0	390	0
Unemployment Insurance	161	0	161	0
Medical Exams & License Fees	20,130	18,180	1,950	21,433
Employment Advertising	5,792	4,780	1,012	3,159
Training, Travel & Meetings	2,800	2,800	0	2,356
<i>Hiring &amp; Training Subtotal</i>	<u>\$164,551</u>	<u>\$118,700</u>	<u>\$45,851</u>	<u>\$113,313</u>

***ROUTE OPERATIONS BUDGET******FISCAL YEAR 2004/2005***

	<b>PROPOSED BUDGET FY 04/05</b>	<b>FINAL BUDGET FY 03/04</b>	<b>PROPOSED CHANGE</b>	<b>ESTIMATED FY 03/04</b>
<b><i>RISK &amp; SAFETY</i></b>				
<b><i>Wages &amp; Benefits</i></b>				
Staff	\$72,925	\$57,685	\$15,241	\$63,657
Supervisors	143,442	139,264	4,178	150,637
Driver Accident Pay	1,521	916	606	1,167
FICA	18,297	16,884	1,413	17,862
Pension	18,318	16,691	1,628	15,967
Health	20,831	19,687	1,145	22,112
Sick Pay	1,519	2,181	(662)	1,257
Vacation Pay	14,505	11,666	2,839	15,656
Holiday Pay	5,734	9,098	(3,364)	5,705
Other Paid Leave	573	910	(336)	495
Unemployment Insurance	483	280	203	429
<b>Wages &amp; Benefits Subtotal</b>	<b>\$298,149</b>	<b>\$275,260</b>	<b>\$22,889</b>	<b>\$294,944</b>
<b><i>Public Liability</i></b>				
Professional Services	\$81,501	\$61,500	\$20,001	\$51,946
Insurance	173,371	142,127	31,243	139,889
Current Year Incident Payouts	25,000	20,000	5,000	20,000
Current Year Incident Reserves	10,000	25,000	(15,000)	616
Prior Years Incident Payouts	5,000	40,000	(35,000)	16,831
Change in Prior Years Reserves	(1,000)	(65,000)	64,000	(3)
<b>Public Liability Subtotal</b>	<b>\$293,872</b>	<b>\$223,627</b>	<b>\$70,244</b>	<b>\$229,279</b>
<b><i>Workers' Compensation</i></b>				
Professional Services	\$252,985	\$231,610	\$21,375	\$195,959
Insurance	102,119	52,510	49,609	68,110
Current Year Incident Payouts	55,000	25,000	30,000	53,352
Current Year Incident Reserves	135,000	134,000	1,000	131,344
Prior Years Incident Payouts	650,000	600,000	50,000	639,022
Change in Prior Years Reserves	(200,000)	(300,000)	100,000	(163,266)
Miscellaneous Risk & Safety	7,625	5,925	1,700	2,800
<b>Workers' Compensation Subtotal</b>	<b>\$1,002,729</b>	<b>\$749,045</b>	<b>\$253,684</b>	<b>\$927,320</b>
<b><i>Risk &amp; Safety Subtotal</i></b>	<b><u>\$1,594,750</u></b>	<b><u>\$1,247,933</u></b>	<b><u>\$346,817</u></b>	<b><u>\$1,451,543</u></b>
<b><i>TRANSPORTATION SUBSIDIES</i></b>				
Dial-a-Ride (Easy Lift)	\$352,295	\$332,170	\$20,125	\$332,168
<b><i>Transportation Subsidies Subtotal</i></b>	<b><u>\$352,295</u></b>	<b><u>\$332,170</u></b>	<b><u>\$20,125</u></b>	<b><u>\$332,168</u></b>
<b><i>TOTAL ROUTE OPERATIONS</i></b>	<b><u>\$8,899,868</u></b>	<b><u>\$8,117,388</u></b>	<b><u>\$782,481</u></b>	<b><u>\$8,398,880</u></b>

## Vehicle Maintenance Budget Detail

### VEHICLE MAINTENANCE BUDGET

FISCAL YEAR 2004/2005

	PROPOSED BUDGET FY 04/05	FINAL BUDGET FY 03/04	PROPOSED CHANGE	ESTIMATED FY 03/04
<i>MECHANICS</i>				
Mechanics	\$674,625	\$658,167	\$16,457	\$607,452
Mechanics-OT	3,382	3,298	84	2,668
FICA	57,592	56,173	1,419	52,770
Pension	74,733	72,556	2,177	67,691
Health	70,248	68,202	2,046	54,406
Sick Pay	12,852	12,531	321	21,033
Vacation Pay	40,016	38,850	1,166	37,533
Holiday Pay	27,056	26,381	675	24,867
Other Paid Leave	2,706	2,638	68	1,202
Unemployment Insurance	2,415	1,050	1,365	3,413
Uniforms	4,850	5,214	(364)	7,191
Tool Allowance	12,000	12,000	0	12,000
<i>Mechanics Subtotal</i>	<u>\$982,473</u>	<u>\$957,060</u>	<u>\$25,413</u>	<u>\$892,226</u>
<i>CLEANERS &amp; FUELERS</i>				
Service Workers	\$319,610	\$308,499	\$11,111	\$290,637
FICA	26,358	25,435	922	24,371
Pension	55,601	53,981	1,619	45,156
Health	56,198	54,562	1,637	61,512
Sick Pay	3,797	3,657	140	3,695
Vacation Pay	13,624	13,117	507	14,383
Holiday Pay	13,181	12,723	458	12,224
Other Paid Leave	580	556	24	669
Unemployment Insurance	1,960	868	1,092	2,279
Uniforms	3,276	3,276	0	3,170
Medical Exams & License Fees	3,993	3,993	0	5,072
<i>Cleaners &amp; Fuelers Subtotal</i>	<u>\$498,178</u>	<u>\$480,667</u>	<u>\$17,511</u>	<u>\$463,169</u>
<i>SUPERVISION</i>				
Staff	\$245,151	\$165,386	\$79,766	\$146,202
FICA	20,623	15,111	5,513	14,568
Pension	26,959	19,752	7,206	17,000
Health	48,132	28,228	19,904	25,019
Sick Pay	1,641	4,220	(2,579)	19,598
Vacation Pay	12,260	17,923	(5,663)	14,977
Holiday Pay	9,578	9,087	491	7,440
Other Paid Leave	958	909	49	718
Unemployment Insurance	752	210	542	681
Training, Travel & Meetings	5,000	900	4,100	131
<i>Supervision Subtotal</i>	<u>\$371,054</u>	<u>\$261,725</u>	<u>\$109,329</u>	<u>\$246,335</u>

**VEHICLE MAINTENANCE BUDGET****FISCAL YEAR 2004/2005**

	<b>PROPOSED BUDGET FY 04/05</b>	<b>FINAL BUDGET FY 03/04</b>	<b>PROPOSED CHANGE</b>	<b>ESTIMATED FY 03/04</b>
<b>VEHICLE CONSUMABLES</b>				
Fuel & Lubricants	\$928,063	\$639,003	\$289,060	\$697,538
Electric Vehicle Power	69,600	64,000	\$5,600	68,873
Tire Lease	126,264	103,239	\$23,025	120,111
Tire Mounting	13,000	12,297	\$703	10,423
<i>Vehicle Consumables Subtotal</i>	<u><i>\$1,136,927</i></u>	<u><i>\$818,540</i></u>	<u><i>\$318,387</i></u>	<u><i>\$896,945</i></u>
<b>VEHICLE PARTS &amp; SUPPLIES</b>				
Bus Parts Issued	\$547,803	\$700,000	(\$152,197)	\$604,554
Shop Supplies	55,000	62,107	(7,107)	48,552
Bus Servicing Supplies	10,000	8,000	2,000	6,513
Hazmat Disposal & Compliance	6,800	4,720	2,080	6,307
<i>Vehicle Part &amp; Supplies Subtotal</i>	<u><i>\$619,603</i></u>	<u><i>\$774,827</i></u>	<u><i>(\$155,224)</i></u>	<u><i>\$665,926</i></u>
<b>VENDOR BUS REPAIRS</b>				
Vandalism Repairs	\$15,000	\$5,000	\$10,000	\$2,668
Accident Damage Repairs	6,000	5,000	1,000	5,732
Accident Claim Collections	(2,000)	(2,000)	0	(1,192)
Other Vendor Repairs	20,000	18,000	2,000	18,983
<i>Vendor Bus Repairs Subtotal</i>	<u><i>\$39,000</i></u>	<u><i>\$26,000</i></u>	<u><i>\$13,000</i></u>	<u><i>\$26,191</i></u>
<b>RISK &amp; SAFETY</b>				
Workers' Comp Services	\$13,315	\$12,190	\$1,125	\$26,137
Workers' Comp Insurance	5,375	2,764	2,611	3,585
Current Year Incident Payouts	2,750	1,250	1,500	226
Current Year Incident Reserves	6,750	6,700	50	9,333
Prior Years Incident Payouts	200,000	100,000	100,000	134,089
Change in Prior Years Reserves	(75,000)	(15,000)	(60,000)	(70,790)
<i>Risk &amp; Safety Subtotal</i>	<u><i>\$153,190</i></u>	<u><i>\$107,904</i></u>	<u><i>\$45,286</i></u>	<u><i>\$102,580</i></u>
<b>TOTAL VEHICLE MAINTENANCE</b>	<u><b>\$3,800,425</b></u>	<u><b>\$3,426,723</b></u>	<u><b>\$373,703</b></u>	<u><b>\$3,293,372</b></u>

**Passenger Accommodations Budget Detail**  
**PASSENGER ACCOMMODATIONS BUDGET**  
**FISCAL YEAR 2004/2005**

	<b>PROPOSED BUDGET FY 04/05</b>	<b>FINAL BUDGET FY 03/04</b>	<b>PROPOSED CHANGE</b>	<b>ESTIMATED FY 03/04</b>
<i>PASSENGER FACILITIES</i>				
Wages & Benefits				
Supervisors	\$100,762	\$97,827	\$2,935	\$95,886
TC Advisors	92,901	87,266	5,635	91,213
Staff	80,629	78,998	1,632	79,222
FICA	23,438	22,615	823	22,330
Pension	22,716	22,243	473	20,539
Health	36,142	37,193	(1,050)	40,765
Sick Pay	4,033	3,986	47	4,230
Vacation Pay	18,622	18,275	347	16,358
Holiday Pay	8,905	8,727	179	8,802
Other Paid Leave	1,566	1,549	18	241
Unemployment Insurance	1,288	560	728	1,442
Wages & Benefits Subtotal	\$391,003	\$379,238	\$11,765	\$381,028
Buildings & Grounds				
TC Contract Maintenance	\$38,208	\$38,884	(\$676)	\$37,676
TC Repairs/Supplies	4,800	6,250	(1,450)	4,622
Bus Stop Contract Maintenance	0	3,935	(3,935)	4,963
Bus Stop Repairs/Supplies	14,360	15,000	(640)	11,672
TC Property Insurance	1,789	1,878	(89)	2,059
Buildings & Grounds Subtotal	\$59,157	\$65,946	(\$6,790)	\$60,992
<i>Passenger Facilities Subtotal</i>	<u><i>\$450,160</i></u>	<u><i>\$445,185</i></u>	<u><i>\$4,975</i></u>	<u><i>\$442,020</i></u>
<i>TRANSIT DEVELOPMENT</i>				
Staff	\$156,800	\$171,045	(\$14,245)	\$184,524
FICA	13,243	15,248	(2,005)	16,183
Pension	17,311	19,932	(2,621)	16,618
Health	27,418	29,790	(2,372)	28,017
Sick Pay	986	1,906	(920)	1,292
Vacation Pay	9,901	15,885	(5,984)	15,604
Holiday Pay	4,930	9,530	(4,601)	6,972
Other Paid Leave	493	953	(460)	1,692
Unemployment Insurance	483	280	203	644
Training, Travel & Meetings	3,000	0	3,000	0
Planning Services & Supplies	10,400	20,000	(9,600)	18,635
<i>Transit Development Subtotal</i>	<u><i>\$244,964</i></u>	<u><i>\$284,569</i></u>	<u><i>(\$39,605)</i></u>	<u><i>\$290,182</i></u>

**PASSENGER ACCOMMODATIONS BUDGET**

**FISCAL YEAR 2004/2005**

	<b>PROPOSED BUDGET FY 04/05</b>	<b>FINAL BUDGET FY 03/04</b>	<b>PROPOSED CHANGE</b>	<b>ESTIMATED FY 03/04</b>
<b>PROMOTION &amp; INFORMATION</b>				
Wages & Benefits				
Staff	\$178,089	\$174,912	\$3,176	\$176,142
FICA	15,009	14,742	268	15,066
Pension	19,620	19,270	350	11,999
Health	27,632	28,212	(580)	26,032
Sick Pay	2,264	2,223	40	2,218
Vacation Pay	7,546	7,412	135	7,020
Holiday Pay	7,546	7,412	135	7,398
Other Paid Leave	755	741	13	2,679
Unemployment Insurance	483	210	273	644
Wages & Benefits Subtotal	\$258,944	\$255,134	\$3,811	\$249,199
Outside Services				
Media Ad Placement	45,000	30,000	15,000	20,075
Brochures & Publications	7,000	7,000	0	5,355
Market Research	0	0	0	0
Promotional Giveaways	0	0	0	0
Bus/Shuttle Decorations	15,000	20,000	(5,000)	4,161
Other Promotions	7,500	7,500	0	4,577
Route Schedules & Information	86,500	75,200	11,300	70,776
Training, Travel & Meetings	3,000	0	3,000	0
Outside Services Subtotal	\$164,000	\$139,700	\$24,300	\$104,944
<i>Promotion &amp; Information Subtotal</i>	<u>\$422,944</u>	<u>\$394,834</u>	<u>\$28,111</u>	<u>\$354,143</u>
<b>FARE REVENUE COLLECTION</b>				
Wages & Benefits				
Security Officer	\$45,181	\$43,598	\$1,583	\$44,345
FICA	3,960	3,831	129	4,026
Pension	4,804	4,647	157	4,776
Health	8,771	9,108	(337)	8,340
Sick Pay	346	341	5	0
Vacation Pay	4,328	4,263	65	6,273
Holiday Pay	1,731	1,705	26	1,672
Other Paid Leave	173	171	3	0
Unemployment Insurance	161	70	91	215
Wages & Benefits Subtotal	\$69,456	\$67,733	\$1,722	\$69,647
Outside Services				
Fare Processing	\$58,755	\$56,402	\$2,353	\$55,297
Farebox Parts & Repairs	18,000	22,000	(4,000)	16,772
Tickets, Tokens & Transfers	50,787	65,622	(14,835)	48,763
Outside Services Subtotal	\$127,542	\$144,024	(\$16,482)	\$120,832
<i>Fare Revenue Collection Subtotal</i>	<u>\$196,998</u>	<u>\$211,757</u>	<u>(\$14,760)</u>	<u>\$190,478</u>
<b>TOTAL PSNGR ACCOMMODATION</b>	<u><u>\$1,315,066</u></u>	<u><u>\$1,336,345</u></u>	<u><u>(\$21,279)</u></u>	<u><u>\$1,276,822</u></u>

**General Overhead Budget Detail****GENERAL OVERHEAD BUDGET****FISCAL YEAR 2004/2005**

	<b>PROPOSED BUDGET FY 04/05</b>	<b>FINAL BUDGET FY 03/04</b>	<b>PROPOSED CHANGE</b>	<b>ESTIMATED FY 03/04</b>
<b>FINANCE</b>				
Staff	\$213,715	\$339,958	(\$126,243)	\$337,807
FICA	18,041	29,434	(11,393)	29,932
Pension	23,582	38,476	(14,893)	38,478
Health	44,837	66,558	(21,720)	61,182
Sick Pay	3,901	5,938	(2,038)	6,854
Vacation Pay	13,256	22,698	(9,442)	26,772
Holiday Pay	4,503	14,692	(10,189)	14,327
Other Paid Leave	450	1,469	(1,019)	3,387
Unemployment Insurance	644	490	154	1,495
Financial Audit Services	36,000	40,000	(4,000)	36,000
<b>Finance Subtotal</b>	<b>\$358,929</b>	<b>\$559,712</b>	<b>(\$200,783)</b>	<b>\$556,235</b>
<b>PERSONNEL</b>				
Staff	\$24,338	\$22,426	\$1,912	\$22,418
FICA	2,128	2,081	47	2,100
Pension	2,782	2,720	61	3,435
Health	4,621	4,784	(163)	4,400
Sick Pay	211	415	(205)	96
Vacation Pay	2,108	2,077	31	2,077
Holiday Pay	1,054	2,077	(1,023)	1,147
Other Paid Leave	105	208	(102)	495
Unemployment Insurance	81	35	46	215
<b>Personnel Subtotal</b>	<b>\$37,427</b>	<b>\$36,823</b>	<b>\$604</b>	<b>\$36,383</b>
<b>UTILITIES</b>				
Telephone & Data Communication	\$66,408	\$72,727	(\$6,319)	\$66,914
Power, Water & Refuse	120,564	134,542	(13,978)	117,914
Two-Way Radios	16,795	16,795	0	16,487
<b>Utilities Subtotal</b>	<b>\$203,767</b>	<b>\$224,064</b>	<b>(\$20,297)</b>	<b>\$201,314</b>
<b>OPERATING FACILITIES</b>				
<b>Wages &amp; Benefits</b>				
Staff	\$33,856	\$32,166	\$1,689	\$35,282
FICA	2,837	2,698	140	2,865
Pension	3,709	3,526	183	(364)
Health	4,686	4,999	(313)	4,594
Sick Pay	281	269	12	513
Vacation Pay	1,405	1,346	59	0
Holiday Pay	1,405	1,346	59	1,385
Other Paid Leave	141	135	6	0
Unemployment Insurance	161	70	91	215
Uniforms	0	0	0	0
<b>Wages &amp; Benefits Subtotal</b>	<b>\$48,481</b>	<b>\$46,555</b>	<b>\$1,926</b>	<b>\$44,491</b>



**GENERAL OVERHEAD BUDGET**

**FISCAL YEAR 2004/2005**

	<b>PROPOSED BUDGET FY 04/05</b>	<b>FINAL BUDGET FY 03/04</b>	<b>PROPOSED CHANGE</b>	<b>ESTIMATED FY 03/04</b>
<i>OPERATING FACILITIES (cont'd)</i>				
Service Vehicles				
Parts & Repairs	\$21,740	\$16,000	\$5,740	\$24,235
Fuel	21,000	24,600	(3,600)	21,613
Service Vehicles Subtotal	\$42,740	\$40,600	\$2,140	\$45,848
Buildings & Grounds				
Contract Maintenance	\$47,210	\$55,000	(\$7,790)	\$48,754
B&G Repairs/Supplies	33,200	45,000	(11,800)	27,731
Temporary Facility Costs	0	0	0	0
Property Insurance	16,097	16,899	(803)	18,534
Buildings & Grounds Subtotal	\$96,507	\$116,899	(\$20,392)	\$95,019
<i>Operating Facilities Subtotal</i>	<u>\$187,728</u>	<u>\$204,054</u>	<u>(\$16,327)</u>	<u>\$185,358</u>
<i>DISTRICT ADMINISTRATION</i>				
Wages & Benefits				
Staff	\$240,514	\$494,537	(\$254,023)	\$623,992
FICA	20,775	40,307	(19,532)	33,506
Pension	27,157	53,038	(25,881)	93,544
Health	32,508	58,319	(25,812)	47,171
Sick Pay	1,651	32,554	(30,903)	39,617
Vacation Pay	20,319	67,443	(47,124)	39,912
Holiday Pay	8,255	13,864	(5,609)	10,174
Other Paid Leave	826	1,386	(561)	2,184
Unemployment Insurance	644	350	294	1,024
Wages & Benefits Subtotal	\$352,648	\$761,798	(\$409,150)	\$891,124
Administrative Services				
Directors Fees	\$12,300	\$12,300	\$0	\$9,960
Public Officials Insurance	30,341	27,709	2,632	25,452
Legal Counsel	85,000	87,000	(2,000)	96,117
Pension Administration	11,900	10,000	1,900	10,705
Office Equipment Maintenance	32,124	29,500	2,624	20,723
Miscellaneous Services	64,900	19,825	45,075	44,709
Office & Computer Supplies	30,000	30,000	0	28,285
Dues & Subscriptions	34,000	24,000	10,000	22,931
Conferences, Meetings & Training	5,000	10,000	(5,000)	6,819
Employee Relations	15,000	14,000	1,000	15,412
Retiree Health Insurance	33,285	31,519	1,766	29,677
Mandated Fees & Permits	40,400	87,500	(47,100)	101,860
Bus Ad Revenue Program	9,000	17,500	(8,500)	7,529
Miscellaneous	12,860	26,000	(13,140)	22,068
Administrative Services Subtotal	\$416,110	\$426,852	(\$10,742)	\$442,248
<i>District Administration Subtotal</i>	<u>\$768,758</u>	<u>\$1,188,650</u>	<u>(\$419,892)</u>	<u>\$1,333,371</u>
<b>TOTAL GENERAL OVERHEAD</b>	<u><u>\$1,556,609</u></u>	<u><u>\$2,213,304</u></u>	<u><u>(\$656,695)</u></u>	<u><u>\$2,312,661</u></u>

**Capital Project Detail**  
***CAPITAL PROJECT DETAIL***  
***FISCAL YEAR 2004/2005***

<i>REVENUE VEHICLE PURCHASES</i>		
30' Clean Diesel (11) (\$2,860,000)	\$570,000	
Regional Buses (5)	2,157,956	
<i>Subtotal</i>		\$2,727,956
<i>REVENUE VEHICLE IMPROVEMENTS</i>		
Diesel Drivetrain Allowance	\$207,746	
EV Drivetrain/Battery Allowance	86,076	
Miscellaneous Bodywork/Painting	10,000	
<i>Subtotal</i>		\$303,822
<i>OFFICE FURNITURE &amp; EQUIPMENT</i>		
Office Furniture Allowance	\$10,000	
<i>Subtotal</i>		\$10,000
<i>MANAGEMENT INFORMATION SYSTEMS</i>		
Software Programming	\$15,000	
Route Scheduling Software	181,000	
Vehicle Maintenance Software	121,016	
PC Hardware/Software Upgrades	10,000	
<i>Subtotal</i>		\$327,016
<i>SERVICE VEHICLES</i>		
Service Vehicle Replacements	\$150,000	
<i>Subtotal</i>		\$150,000
<i>BUS STOP EQUIPMENT</i>		
Bus Stop Upgrades	\$25,000	
<i>Subtotal</i>		\$25,000
<i>FIXED FACILITIES</i>		
Facilities	\$125,000	
Calle Real Development	100,000	
<i>Subtotal</i>		\$225,000
<i>SHOP EQUIPMENT</i>		
Shop Equipment Allowance	\$40,000	
<i>Subtotal</i>		\$40,000
<i>TOTAL CAPITAL PROJECTS</i>		<u>\$3,808,794</u>

## Capital Replacement Schedule (Buses/Shuttles)

### Capital Replacement Projection (Buses & Shuttles)

Fleet Type	Qty	Replacement Date	Useful Life Remaining	FY04 Cost per Replacement Vehicle	Projected Cost per Vehicle	Total Cost	MTD % Share	MTD Projected Cost
2005 Regional Coaches	5	FY05	0	\$431,591	\$431,591	\$2,157,956	11.8%	\$254,956
2005 40' Hybrid	8	FY06	1	491,875	505,648	4,045,180	20.0%	809,036
1991- 1994 Shuttle (1,2,10)	3	FY06	1	270,000	277,560	832,680	11.5%	95,758
1991 - 1994 Shuttle (3,4,5,6,8,11 & 22)	7	FY07	2	270,000	285,332	1,997,322	11.5%	229,692
1984 40' Coaches	5	FY11	6	430,000	507,490	2,537,448	20.0%	507,490
2001 Shuttle (12 - 21)	10	FY11	6	270,000	318,656	3,186,563	100.0%	3,186,563
1997 40' Nova	28	FY12	7	300,000	363,976	10,191,335	20.0%	2,038,267
1998 40" Nova	5	FY12	7	300,000	363,976	1,819,881	20.0%	363,976
1991 - 1994 Shuttle (1,2,3,4,5,6,8,10,11 & 22)	10	FY17	12	270,000	376,081	3,760,808	100.0%	3,760,808
2005 40' Hybrid	8	FY21	16	450,000	700,007	5,600,056	20.0%	1,120,011
2005 40' Coaches	5	FY21	16	430,000	668,896	3,344,478	20.0%	668,896
2004 40' Diesel	15	FY21	16	300,000	466,671	7,000,069	20.0%	1,400,014
2004 30' Diesel	11	FY21	16	260,000	404,448	4,448,933	20.0%	889,787
2001 Shuttle (12 - 21)	10	FY21	16	270,000	420,004	4,200,042	100.0%	4,200,042
						\$55,122,750		\$19,525,295

### Capital Replacement Fund Requirements by Fiscal Year (Commencing Fiscal Year 2007)

Fiscal Year	MTD Replacement Fund Goal	Projected Fund Balance
2005	254,956	0
2006	904,794	0
2007	229,692	1,071,994
2011	3,694,052	2,584,687
2012	2,402,243	1,484,130
2017	3,760,808	4,231,754
2021	8,278,749	2,461,437
Total	19,525,295	

Number of Years: 15

Amount Required per Year: \$1,301,686

CPI applied to vehicle cost: 2.80%

(CPI = The Consumer Price Index to be used shall be the U.S. Department of Labor consumer Price Index for All Urban Consumers, All Items, for Los Angeles - Riverside - Orange County (1982-84=100) as of January of each year.

1999 - 2003 Average Annual CPI Adjustment

## Budgeted Employee Positions

### Budgeted Positions FY 03-04

<u>Budgeted Staff Positions</u>	<u>Staff Positions Eliminated</u>
Manager of Operations	Accounting Assistant
Administrative Assistant	Planning Analyst
Receptionist	Special Projects
Controller	Admin Assist/Off. Mgr.
Manager of Accounting	
Accounting Assistant	
Accounting Clerk	
Manager of Planning	
Scheduler	
Planning Analyst	
Superintendent of Maintenance	
Manager of Materials	
Parts Clerk	
Maintenance Analyst	
Trainer	
Human Resources Administrator	
Operations Administrator	
Fare Revenue Collection	
Facilities Manager	
Manager of Marketing	
Manager of Community Relations	
Marketing Assistant	
Manager of Bus Stops	
Bus Stops	
Manager of IT	
Dispatcher	
TC Advisor	
TC Advisor	
TC Advisor (2 part-time)	
<u>Vacant Positions</u>	
General Manager	
Manager of Maintenance	

### Summary

Total Budgeted Staff Positions:	31
Drivers	130
Supervisors	7
Mechanics	15
Utility	12
Total Budgeted Positions:	195